

Research Report

Research Paper On: Pink Slip in IT Industry

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Pink Slip In IT Industry: Cause and Impact

The pink slip have many meaning but over the year it have become symbolic of being fired from job or employee's service no longer needed in the company. The pink slip may be given to an individual or may be issued to the group of employees. Though the pink was mostly used in the manufacturing sector, this phenomenon is observed in the IT companies in the recent past. In India it was seen in 2008 during the recession which hit the world economy mainly the western world. As most of the Indian IT companies caters to the West for providing various services, the impact was huge in term of employment lost. During 2008, pink slip was not much talked about due to down turn in the overall business of the companies and to cut the cost companies restore to issuing pink slip to lower down the employee count to cut.

Recently companies are using the pink slip to its employees in the name of cost cutting when the economy is growing, companies are reporting healthy profit margin and growth prospect is expected to be good in the near future.

Employee Perspective

The most disturbing fact that are observed is that the victims of this pink slip are middle to senior level manager with experience varying from 7 to 12 years. IT professionals claimed the companies are firing those with 8-10 years of experience in the name of restructuring their workforce. These employee are issued pink slip by marking them under performer. The question being raised most these employees "how these performing employees for last many years, suddenly became underperforming.". If losing their jobs wasn't bad enough, being terminated for 'under performance', by most companies, seems very unkind. The employee who were handed pink slip is finding it very tough to land new job, the baggage of under performer is hunting them where ever they are applying for new job. Also the price tag that these employee carries is making it tough to get new job with the same compensation. *"It's disppointing. The process is like the HR head will call for a meeting to attend and in the meeting they will inform the person is not fit as per the requirements of the organisation and will issue the pink letter immediately. We never ever expected this type of cheap attitude from the company,"* said Mithun Shyam (name changed) who received a termination letter from the company a few days ago.



Mr. **SORRY MR XYZ, TC SER**
- Chennai

10-Dec

Dear Mr. **SORRY MR XYZ, TC SER**

You have been working in the company as Assistant Consultant.

We have reviewed the requirements of the organization and the role you have been playing in the organization and the skill set/competencies that you possess.

With deep regret, we inform you, that as a conclusion of the above review, your continued employment is not warranted. We would be relieving you from your employment from the date of this letter.

Please complete all formalities for full and final settlement of your dues, by surrendering company assets such as, laptop, mobile and any other property entrusted to your care and get in touch with the separation officer for full and final settlement of your dues.

Your service certificate and relieving order will be issued on your completing the due formalities.

We thank you for the services you have rendered and wish you the very best for your future.

Should you require any assistance now or later, we would request you get in touch with the separation officer or Regional Head HR.

Yours sincerely,

For Tata Consultancy Services Ltd.,

Thomas V Simon

Vice President – Human Resources

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The TCS layoff comes as a surprise, during the dark days of the 2008 recession, Ratan Tata had refused to layoff even a single TCS employee. But currently, when the revenues of the company are increasing, business is growing and profits are showing encouraging signs. The industry analyst indicated that increasing profits is the core intention of the current TCS management, and in that view, they are totally ignoring the plight of their employees, which has resulted in large scale resentment among the employees.

Company's Perspective - Cost Cutting or Reconstruction

All these are the part of cost cutting measures followed by the IT companies, mainly senior professionals like AST or Assistant Consultants, Associate consultants, consultants who are the mid-level managers mostly fall under the firing line of the company and hiring fresher's and training them to take up these jobs. Companies, though, on their part maintain they are cutting jobs as part of market expansion and growth strategy which involves getting rid of redundant employees. Companies are staying shy from mentioning cost cutting but the industry observer and expert feel these are cost cutting measure than growth strategy. Also according to industry experts, one of the reasons for huge lay-off have been made to bring in new talent with fresh skills and perspective. Plus, new recruits cost a lot less than employees with some experience. Most companies is reporting it as annual restructuring process and there is nothing new in it.

Pink Slip - Effect

It is TCS not alone laying off mid-level managers, since the onset of 2014, it is estimated that the job cut varies between 10,000 to 15,000 ranging from IBM, Dell, Cisco, Yahoo, Altisource, Infosys to HP. Latest being the TCS which was much highlighted by its sheer number, it is estimated that TCS is going to sack up to 25,000 to 30,000 employees in the coming months. Yahoo reduced its employee strength by 400, Altisource terminated around The TCS which is considered to be pioneer for job safety and employee well fare, the news of such lay-off created stir in the industry. "According to reports, 470 in Bengaluru, 700 in Hyderabad, 480 in Chennai, 70 in Pune and 20 in Kochi have been handed the pink slip." [DNAIndia, 03rd Jan, 2015]

Meanwhile, its employees in Bengaluru have lashed out at the "inhuman and cruel" treatment. "First of all there was no prior notice. We were just asked to leave immediately. Two months compensation is just not enough. If the company cannot accommodate us then why did it have a

massive recruiting drive just two months back?," said Kaushal (name changed) [TOI,17th Jan 2015]

"Even in my wildest dreams, I had not imagined I would be thrown out of my job...my world turned topsy-turvy in just 20 minutes when I was summoned in the afternoon and given the March orders. I did not know how to react. I could see some of my sacked colleagues crying aloud, some begging with the HR personnel to give them time and some reacting angrily," said Rohit (name changed on request), an assistant manager with seven years of work experience. [TOI,17th Jan 2015]

In recent interview with TOI, Ashok Pamidi, regional head, Nasscom stated that *"Right now, Bangalore needs 46,000 skilled and job-ready people to work in the industry. The reason for the layoffs in individual companies might be because of completion of a project or internal reshuffling. The industry is doing well and there are no signs of a slowdown,"*

The question that arises is if there is no slowdown what is causing these company to hand pink slip to its employee. The industry expert states this to be part of many companies plan to fire mid-level managers who are drawing fat packages and underperforming, and replace them with low-cost fresher and train them which comes at low cost.

Most IT companies require coding as a basic skill which needs to be updated with time, as the mid-level manager are no more in coding, company see as liabilities with fat package.

The Story goes same in IBM, the biggest IT Company inside India is expected to layoff around 2000 employee in the coming months.

Impact

As per Industrial Disputes Act 1947, the company should inform the government before any layoff, theses companies has not issued any notice before this lay off and they are yet inform it to the Labour Department or the government, which is illegal. The IT sector does not fall under the **Industrial Employment Act**. That leaves laid off employees in the same category as other unrecognized laborers in the country. This also keeps them out of legal protection against unjustified termination. Also, long work-hours, lack of a redress mechanism and stagnation, are other issues that employees can't do anything about due to the fear of being blacklisted.

But the recent retrenchment, compounded by fear of large layoff in the near future have brought the IT employee closer. IT professionals from TCS, Wipro, IBM, HCL, Tech Mahindra, Deloitte, Samsung, Accenture from across the locations like Chennai, Hyderabad, Pune, Mumbai, Delhi and Bangalore gathered in the Delhi to meet the **IT Professional Welfare Association (ITPWA)** and discuss "Job Security in IT Industry". These ITPWA also demonstration at Jantar Mantar raising slogans demanding job security. Discussion were also held to know whether Industrial Dispute Act is applicable to IT employees. The "The roles and responsibilities of these employees qualify them as 'workmen'."

The **Forum of IT professionals (ForIT)**, said that "*this retrenchments is hampering the future employability of the sacked techies*". The members of ForIT and ITPWA stated that these do not provide proper training nor do they have training and development program in place.

The stung employees is planning petition PM Narendra Modi to bring IT companies under **Industrial Employment Act**, Centre of Indian Trade Unions (CITU)-affiliated Association of IT Employees (AITE) to demand transparency in performance appraisal [The Hindu, 06th & 21st Jan 2015]. Unlike the past when the employee from the IT companies has shyed away to join or be part of any labour union, the situation is completely changed now, these are in favor of forming union in the IT sector to address their concern and to have job safety.

The large scale retrenchment has resulted for the first time the scope for the formation of unions in the IT sector and bring it under the Industrial Employment Act. The various trade unions like Centre of Indian Trade Unions (CITU), Association of IT Employees (AITE), Forum of IT professionals (ForIT), IT Professional Welfare Association (ITPWA), New Democratic Labour Front (NDLF), Young Tamil Nadu Movement(YTNM) all have came together to help the victims.

Psychologists Impact: Survivor Syndrome

Layoffs impact not only limited to the people who have lost their jobs, but the effect is also taking its toll those who survive the axe of losing job. Akash Mehra (name changed), is one such example, he works for one of India's top five IT firms in the country, he remains under constant fear of losing his job and the emotions playing in his mind are those of anxiety, guilt and fear. Fear, that he may be the next one asked to lose his job.

"What comes out as layoff survivor syndrome is a whole lot of anxiety about their future and guilt that they alone have survived. They have nightmares that they have lost their jobs or their colleagues committing suicide," said Dr Vasundhara Cartick, a psychologist and consultant, who has worked closely with layoff survivors.

This feeling of uncertainty is more as the manner in which nature these layoffs takes place. If an employee is fired for underperformance, colleagues are less anxious from the firing. But, when an equally talented and hard working is fired, it spreads anxiety and fear among the employees.

The increase in stress among the employee is taking its toll on the health of the employee, as these employee are under constant threat of losing his/her job leading to illness. *"Most of the referrals coming to us have also complained of aches, pains and fatigue — nothing that has a medical reason, but purely a psychological basis,"* Vasundhara Cartick said during the interview with Economics Times.

Industry observer and expert are of the view that it is always better to opt for a one-time deep cut for organizations looking at laying off staff. This could reduce the pain felt by survivors. Most of the times, organizations do rounds of layoffs. This is not a strategy on the part of the companies as it leaves people employee anxious and under constant fear of layoff.

Most of the these employees who are fired are drawing packages upwards 20 Lakh per annum. They are the ones with 8-12 years of working experience in middle to senior level manager and have got into a comfort zone.

These professionals are married, with kids – They have a family and mortgages to take care of. They will now have to probably take up jobs with half their salary packages or even worst not get a job at all!

Practical Implications: Insight

HR of the IT companies maintains that only the underperforming employees is being fired and it's an annual process that is being carried out every year. But it is seen as inhuman corporate management policy to get cheap inventory, here the inventory is Human Resource. The employees who are being fired have experience of 7+ years and drawing a salary in the range of

15 to 20 Lakh per annum, so the companies are hiring these high salary drawing employee to hire less experience and on much lesser salary package.

"A senior official from TCS in an interview with the NDTV had stated that only *'non-performers'* are being asked to go attributing the layoffs to involuntary attrition following workforce optimization.

"Workforce optimization is a continuous process and this leads to some amount of involuntary attrition...there is nothing out of the ordinary. Only 1 per cent to 1.5 per cent of employees will be impacted," he said."

The clip recorded secretly by a female employee in Chennai reveals some contradicting facts on the layoff. An HR official is heard telling the employee that she is not being branded as an "underperformer", but goes on to say that "performance rating, scalability to next role and skill sets" are some of the reasons for her layoff. As reported by the NDTV.

(Sound Clip # <https://soundcloud.com/fiteorg/tcsliesexposed01>,

YouTube # www.youtube.com/watch?v=6D15kq4OoL8).

Former Infosys director TV Mohandas Pai in an interview to The News Minute reasoned, *"With growth rates down, in the teens, obviously the model needs to change. Many in the middle in the 10-15 year experience band would be redundant and very high cost."*

While Speaking to Moneycontrol, R Chandrashekhar, President, Nasscom said, *"If there is something, which needs attention in a particular company, I'm sure that, that company will address that."*

The whole process is inhuman too, the HR will ask you to resign. If you do not resign, they will provide termination notice. The termination notice will be followed by an entry in the National Skills Registry (<https://nationalskillsregistry.com>), a blacklisting database maintained by NASSCOM background check agents (reporting to the HR head).

The IT companies thrive on cheap labor to generate revenue as there is no shortage of cheap labor in the IT industry. There is also some concern in the company that these experienced employee may ask for further promotions, better roles, fight for good appraisals. In one hand

these companies are hiring the experience employees and at the same time hiring the fresher's too.

The impact of the termination is very high, both on the individual and on the families. The HR should not threaten employee to resign. In addition, the HR responsible for handling the termination should be given appropriate training to do it professionally. In one of the exit interviews in Dell, the Dell engineer was threatened with legal action if he did not voluntarily quit.

These ongoing layoff in the IT industry the not the usual reconstruction process as the maintained by the company, it the well thought and implemented strategy to reduce the high paying, mid-tier employees. The arbitrary and high-handed manner in which the policy is being implemented has created a high level of insecurity among the employees in the IT industry.

Re-skilling, not layoffs: Need Re-thinking

When world's biggest IT companies are not shying away from firing employees as per their convenience and in good time with positive growth, this throws a very vital question to the whole industry to rethink: How much dynamic and flexible is the IT industry is, and how much 'job security' can it provide?

Why doesn't training and motivation assist their under-performing employees, and why can't these companies provide a cushion for their employees against fluctuations in business and profits?

Pravin Rao, chief operating officer, Infosys addressing the delegates in Mumbai stated that *"It is not that there are tens and thousands of people (available) with experience in new technologies. The idea is to re-skill people. If technology changes and people don't have those capabilities, you've to re-skill them and re-orient them,"*. So the need of the hour is re-skilling talent to meet the rapidly changing technologies in the IT industry.

So the need of the hour is having better training and development program for the employee which is aligned with the changing technology to re-skill the employee to face the future challenges.

Conclusion

In the article, Benefits of training and development for Individuals and Team, Organization and Society [Herman Aguinis and Kurt Kraigner (2009)] have highlighted how training leads to improved job performance, acquisition of new skill. The company should form proper training and development program for its employee. They should also develop learning criteria, reaction criteria [Arthur, Bennett, Edens and Bell (2003)]. The companies should form a strategy for the training and development of their employees to learn new skill and to keep pace with the changing technology. This will not only develop trust among the employees but will also help to decrease cost with efficient and trained workforce. Restoring to firing of employee will not be sustainable in the long, this will drive away the talented pool from its work force and will have effect on the employee well being and moral.

The Central as well as the state government, which has a responsibility with regard to employment and labor welfare, must not remain a silent spectator in face of large-scale unjust retrenchment in a major industry. The IT industry should be brought under the preview of Labor Law to safe guard the interest of labor working in the IT industry.

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